

1966

annual report

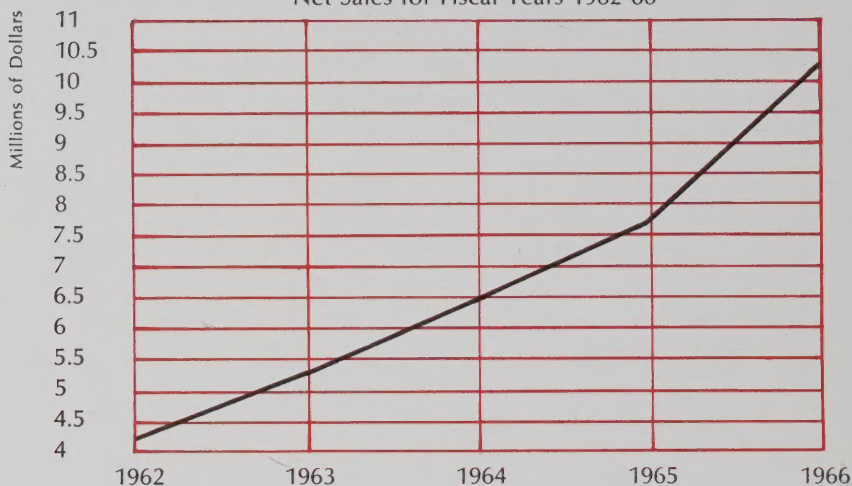


NATIONAL CONTAINERS LIMITED

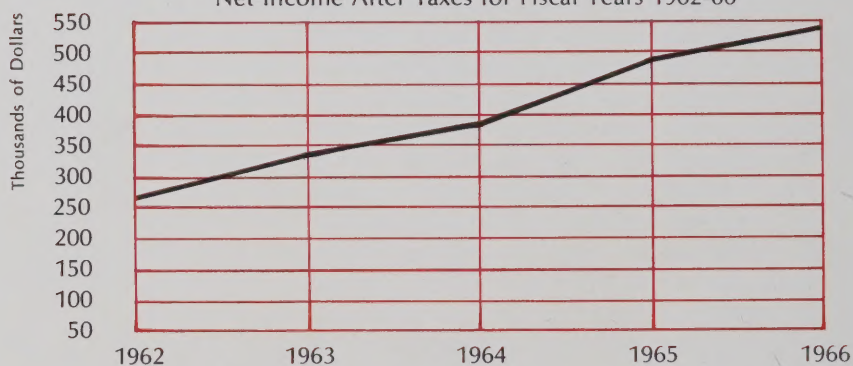


NATIONAL CONTAINERS LIMITED

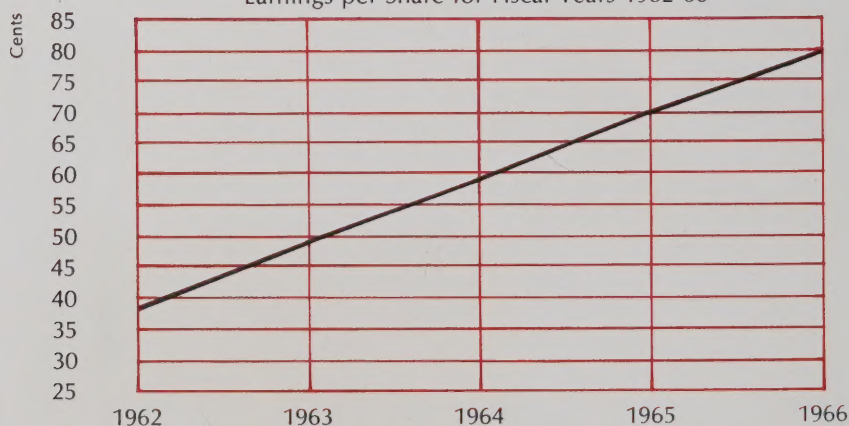
Net Sales for Fiscal Years 1962-66



Net Income After Taxes for Fiscal Years 1962-66



Earnings per Share for Fiscal Years 1962-66



HIGHLIGHTS

	1966	1965	1964	1963	1962
	\$	\$	\$	\$	\$
Net Sales	10,210,429	7,677,466	6,496,745	5,288,968	4,117,663
Income before taxes	875,688	781,040	508,509	414,570	341,825
Income Taxes	330,756	310,449	118,764	83,937	81,372
Net Income	544,932	470,591	389,745	330,633	260,453
Earnings per share	80.2¢	70.2¢	58¢	49¢	39¢
Dividends per share — Cash	15¢	20¢	20¢	20¢	—
Dividends per share — Stock	3%				

F. P. R. Consultants Ltd.

FINANCIAL PUBLIC RELATIONS

11 Adelaide Street West

EMPIRE 6-4216

Toronto 1, Canada

file

FOR IMMEDIATE RELEASE

FOR : NATIONAL CONTAINERS LIMITED


FROM : F.P.R. CONSULTANTS LIMITED

NATIONAL CONTAINERS REPORTS PRELIMINARY OPERATING RESULTS FOR YEAR ENDED DECEMBER 31st, 1966.

Montreal, Thursday March 9th, 1967 -
Hyman Katz, President, National Containers Limited, today reported preliminary results of the company's operations for the year ended December 31st, 1966.

Earnings for the year were \$544,932 or 80.2¢ per common share up 15.8% from 1965 when the Company earned \$470,591 or 70.2¢ per common share. Consolidated sales increased 33% from \$7,677,436 in 1965 to \$10,210,429 in 1966.

Mr. Katz stated that the annual report will be available shortly and a comprehensive review given at that time.



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NATIONAL CONTAINERS LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS—

Hyman Katz
Eric Duff Scott
David Litner, Q.C.
Murray Howe
William Zimmerman, Q.C.
J. C. Stewart

OFFICERS—

Hyman Katz — President
J. C. Stewart — Vice-President
Isadore Cohen — Secretary-Treasurer

AUDITORS—

S. Hoffman & Co.

SOLICITOR—

David Litner, Q.C.

REGISTRAR & TRANSFER AGENTS—

Canada Permanent Trust Company,
Montreal and Toronto.

BOND TRUSTEE—

Montreal Trust Company,
Montreal and Toronto.

BANKERS—

Toronto-Dominion Bank

COMMON STOCK LISTINGS—

Montreal Stock Exchange,
Toronto Stock Exchange

EXECUTIVE OFFICE—

25 Du Moulin Street,
Ville St. Pierre, Montreal, Que.

SUBSIDIARIES—

MacDonald Drums Mfg. Corporation
Ville St. Pierre, Montreal, Que.

National Steel Drum Ltd.
Petrolia, Ont.

Rosemount Barrel & Drum Inc.
Montreal, Que.

Dominion Fibre Drum Corp.
Montreal, Que.

Dominion Plastic Containers Ltd.
Ville St. Pierre, Montreal, Que.

The Winnipeg Cooperage Company Limited
Winnipeg, Man.

National Containers (Central) Limited
Toronto, Ont.



NATIONAL CONTAINERS LIMITED

President's Report to the Shareholders

On behalf of the Board of Directors, I am pleased to report that the Company experienced another year of record growth, with new highs established in earnings and sales.

For the year ended December 31st, 1966 earnings were \$544,932 or 80.2¢ per common share, up 15.8% from 1965 when the Company earned \$470,591 or 70.2¢ per common share.

Consolidated sales increased 33% from \$7,677,436 in 1965 to \$10,210,429 in 1966.

Once again the Company was able to move forward in all areas of its activities as economic conditions in the industry remained buoyant. It appears that the forthcoming year will see a continuation of the excellent demand that exists for the Company's products.

During the past year agreements have been reached with our employees' unions which will insure a high level of productivity.

The Company has continued to develop new and versatile products and the Cubitainer (R) and Bulkliner (R), products introduced last year, are meeting growing acceptance throughout the industry.

On the inside cover of this report is a graphic illustration of the Company's record of performance as a public company over the past five years. In that time sales have increased from \$4,117,663 in 1962 to \$10,210,429 in 1966 while earnings showed a growth from \$260,543 or 39¢ per common share to \$544,932 equivalent to 80.2¢ per common share. The management of the Company has constantly followed a policy of growth both internally and through acquisitions, that has proven successful and it is our intention to continue to pursue that policy.

Your directors wish to express their appreciation to the management and employees for their loyal and efficient service during the past year.

On February 18th, 1967, the Company was grieved and shocked to learn of the untimely death of Mr. William Katz, a Vice-President of National Containers Limited. Mr. Katz was one of the founders of the Company and his energy, enthusiasm, and loyalty will be sadly missed.

On Behalf of the Board of Directors,


HYMAN KATZ, President.

March 20th, 1967.

NATIONAL CONTAINERS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME YEAR ENDED DECEMBER 31, 1966

(with comparative figures for the year ended December 31, 1965)

	1966	1965
Profit from operations before the undermentioned items	1,192,945	1,060,436
<i>Deduct:</i>		
Provision for depreciation	158,052	136,078
Interest on bonds and amortization of discount	96,466	108,158
Interest on other loans	62,739	35,160
	<hr/> 317,257	<hr/> 279,396
Income before Provision for Income taxes	875,688	781,040
Provision for income taxes (Note 3)	330,756	310,449
Net income for the year	<hr/> <hr/> 544,932	<hr/> <hr/> 470,591

CONSOLIDATED STATEMENT OF RETAINED EARNINGS YEAR ENDED DECEMBER 31, 1966

Balance at beginning of year	1,432,394
<i>Less:</i> Adjustment of prior years' taxes	4,667
Loss on disposal of Rolling Stock	4,750
Net adjustment of bond discount on bonds redeemed in prior years	<hr/> 10,119
	19,536
	<hr/> 1,412,858
<i>Add:</i> Net income for the year	544,932
	<hr/> 1,957,790
<i>Less:</i> Dividends paid	101,959
	<hr/> <hr/> 1,855,831

NATIONAL CONTAINERS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1966

(with comparative figures as at December 31, 1965)

ASSETS

CURRENT ASSETS	1966	1965
Accounts Receivable	969,448	820,567
Inventories — valued at the lower of cost or market.....	1,271,252	1,008,280
Prepaid expenses and deposits	65,136	41,907
	<u>2,305,836</u>	<u>1,870,754</u>
SPECIAL REFUNDABLE TAX	21,764	
INVESTMENTS		
Shares & Mortgage Receivable	17,364	11,000
FIXED ASSETS (Note 2)		
Land, Buildings, Machinery, Equipment and Rolling Stock	6,044,289	5,326,447
Less: Accumulated Depreciation	1,715,551	1,420,786
	<u>4,328,738</u>	<u>3,905,661</u>
DEFERRED CHARGES		
Unamortized discount on bonds and Refinancing expenses	124,374	158,559
Unamortized development expenses (Note 6)	168,091	40,850
Unamortized Cost of Franchise (Note 6)	44,444	44,319
	<u>336,909</u>	<u>243,728</u>
EXCESS COST OF INVESTMENT OVER BOOK VALUE (Note 5)....	104,060	99,978
	<u>7,114,671</u>	<u>6,131,121</u>



LIABILITIES

CURRENT LIABILITIES

	1966	1965
Bank Loan — secured	1,123,865	528,634
Accounts Payable and Accrued Liabilities	556,195	443,027
Income Taxes Payable (Note 3)	104,817	214,141
Long Term Debt due within one year (Note 1)	40,700	19,500

	<u>1,825,577</u>	<u>1,205,302</u>
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LONG TERMED DEBT (Note 1)	<u>1,653,000</u>	<u>1,746,000</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)

Authorized

1,000,000 shares of the par value of \$1.00 each

Issued & Fully Paid

679,728 shares	679,728	670,800
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CONTRIBUTED SURPLUS (Note 4)	752,161	723,081
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EXCESS OF APPRAISAL VALUE OF FIXED ASSETS OVER

DEPRECIATED COST (Note 2B)	348,374	353,544
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RETAINED EARNINGS	<u>1,855,831</u>	<u>1,432,394</u>
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	<u>3,636,094</u>	<u>3,179,819</u>
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	<u><u>7,114,671</u></u>	<u><u>6,131,121</u></u>
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Approved on behalf of the Board:

Director

Director

The accompanying notes are integral part of this balance sheet.

NATIONAL CONTAINERS LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1966

1) Long Term Debt		
Series "A"	\$ 768,200	
Series "B"	955,000	
		<hr/>
		\$1,723,200
Less: Company's own bonds purchased for retirement in anticipation of Sinking Fund requirements		
Series A	7,500	
Series B	22,000	
Balance required to meet Sinking Fund requirements in next 12 months and shown as a current liability	40,700	70,200
		<hr/>
		\$1,653,000
		<hr/>

The 6½% First Mortgage Sinking Fund Bonds Series A are due on March 15, 1977. Under the terms of the Trust Deed the company must deposit with the trustee an amount sufficient to retire \$70,000 principal amount of Series A bonds on March 15 in each of the year 1967 to 1976 inclusive. The Series A bonds are redeemable otherwise than out of Sinking Fund monies at the option of the company at the principal amount plus a premium of 5% of the principal amount if redeemed on or before March 15, 1967 and thereafter at a premium decreasing by ½ of 1% each year up to and including March 15, 1976. Notwithstanding the foregoing, the Series A bonds may not be redeemed prior to March 15, 1973 directly or indirectly as part of any refunding operation involving the incurrence of indebtedness which has a net interest cost to the company of 6½% per annum or less.

The principal amount of Series A bonds outstanding as at December 31, 1966 is \$768,200 after the retirement during the year of bonds having a principal value of \$91,800. During the year the company purchased on the open market for Sinking Fund purposes, its own bonds having a principal value of \$29,800. This amount together with bonds totalling \$69,500 which the company retained in its Sinking Fund from the previous year less retirement during the year of bonds totalling \$91,800 left the company with \$7,500 principal amount of Series A bonds to be applied for future Sinking Fund requirements. Of the total bonds retired during the year, bonds amounting to \$21,800 will be applied towards the retirement due on March 15, 1967.

The 6½% First Mortgage Sinking Fund Bonds Series B are due on June 1, 1984. Under the terms of the Trust Deed the company must deposit with the trustee an amount sufficient to retire not less than an additional \$615,000 principal amount of the bonds prior to maturity as follows.

June 1, 1967 - 1970 inclusive	\$22,000 per annum
June 1, 1971 - 1977 inclusive	\$30,000 per annum
June 1, 1978 - 1983 inclusive	\$53,000 per annum

The Series B bonds are redeemable otherwise than out of Sinking Fund monies at the option of the company on not less than 30 days notice at the principal amount thereof, plus a premium 5.80% of such principal amount if redeemed on or before June 1, 1967, such premium thereafter decreasing .35 of 1% of such principal amount for each year commenced or elapsed from June 1, 1967 to the date specified for redemption up to and including June 1, 1983. Notwithstanding the foregoing, the Series B bonds may not be redeemed prior to June 1, 1974 directly or indirectly as part of, or in anticipation of any refunding operation involving the incurring of indebtedness which has a net interest cost to the company of 6½% per annum or less.

The principal amount of Series B bonds outstanding as at December 31, 1966 is \$955,000 after the retirement during the year of bonds having principal value of \$23,000. During the year the company purchased on the open market for Sinking Fund purposes its own bonds having a principal value of \$42,000. This amount together with bonds totalling \$3,000 which the company retained in its Sinking Fund from the previous year less the retirement during the year of bonds totalling \$23,000 left the company with \$22,000 principal amount of Series B bonds to be applied for future Sinking Fund requirements. Of the total bonds retired during the year, bonds amounting to \$1,000 will be applied towards the retirement due on June 1, 1967.

- 2) (a) Fixed assets of National Containers Limited and subsidiary companies excepting Dominion Fibre Drum Corp., Dominion Plastic Containers Ltd. and The Winnipeg Coöperage Company Limited are valued in accordance with an appraisal made by Canadian Appraisal Company Limited as at December 31, 1963. The appraisal of Dominion Fibre Drum Corp. was made by the same

company as at January 31, 1964. The basis used was replacement cost less observed depreciation, subsequent additions at cost less disposals. Certain assets not included in the appraisal have been valued at \$5,944 being cost less accumulated depreciation. The fixed assets of Dominion Plastic Containers Ltd. amounting to \$472,025 are included at cost less depreciation. Depreciation has been taken on a reduced basis due to the fact that the company's plant was not engaged in full production for the year. The buildings and land of The Winnipeg Cooperage Company Limited are valued (effective December 31, 1965) in accordance with an appraisal made by Oldfield, Kirby & Gardner Limited as at July 29, 1966. The basis used was reproduction cost less depreciation for the building and vacant resale value for the land. Certain Fixed Assets not included in this appraisal have been valued at \$26,184 being cost less accumulated depreciation. Subsequent additions have been valued at cost.

- (b) Excess of appraised value of fixed assets over depreciated cost, amounting to \$348,374 represents the appraisal increment of subsidiaries subsequent to acquisition and of National Containers Limited only, after adjustments for disposal of assets. Changes during the year are as follows:

Balance January 1, 1966	\$353,544
Less: Adjustments of National Containers Limited re disposal of certain rolling stock assets	5,170
	<u>\$348,374</u>

The appraisal increment of the subsidiary companies amounting to \$714,676 prior to acquisition have been eliminated on consolidation.

- 3) During the 1966 fiscal year \$219,159 excess capital cost allowance was claimed for tax purposes with a resulting tax saving of \$113,964. At December 31, 1966 the accumulated tax saving arising from claiming additional capital cost allowance amounted to \$594,376
- 4) (a) Authorized capital stock is 1,000,000 shares of the par value of \$1.00 each \$1,000,000
- (b) The company has set aside 40,000 shares for an employee stock option plan. As at December 31, 1966 options to purchase 38,275 shares in the capital stock of the company have been granted of which 11,800 have been exercised.
- (c) The company originally set aside 80,000 shares for warrants issued entitling the bearers thereof to purchase such shares in the capital stock of the company. As at December 31, 1966, 2,428 warrants have been exercised.
- (d) Changes during the year in the issued capital stock and contributed surplus are as follows:

	No. of Shares	Capital Stock Amount	Contributed Surplus
Balance as at January 1, 1966	670,800	\$670,800	\$723,081
Exercise of Employee Stock Options	8,800	8,800	28,600
Exercise of Warrants	128	128	480
	<u>679,728</u>	<u>\$679,728</u>	<u>\$752,161</u>

During the year ended December 31, 1966 as a result of the exercise of Employee stock options and warrants 8,928 shares were issued for \$38,008 cash of which \$29,080 was credited to Contributed Surplus.

- 5) Excess cost of investments over book value represents, (a) the excess, \$13,675 of the purchase price of the shares of National Steel Drum Ltd. over the book value, (b) the excess, \$165,167 of the purchase price of the shares of Dominion Fibre Drum Corp. over the book value, (c) the excess, \$4,082 of the purchase price of the shares of The Winnipeg Cooperage Company Limited over the book value, (d) less the excess, \$1,057 of the book value of MacDonald Drums Mfg. Corporation over the purchase price paid by the company for shares of that company, (e) less the net excess, \$77,807 of the book value of Rosemount Barrel & Drum Inc. over the purchase price paid by the company for shares of that company.
- 6) Unamortized development expenses and cost of franchise totalling \$207,764 in the books of Dominion Plastic Containers Ltd. have not been amortized due to the fact that the company was in an experimental and development stage for certain products. These expenditures will be amortized in subsequent years.
- 7) National Containers Limited is presently negotiating the acquisition of Real Estate in Montreal valued at approximately \$58,000.
- 8) The company has declared a stock dividend to all shareholders of record as at the close of business on January 13, 1967. In consequence 20,394 additional shares have been allocated for payment of this stock dividend.
- 9) The company has recently incorporated in Toronto, Ontario a new subsidiary company called National Containers (Central) Limited. This company has commenced operations in 1967.
- 10) Real Estate having a cost value of \$25,065 has been expropriated by the government of the Province of Quebec. As the full settlement price is still under negotiations, the asset has been left in the books at cost plus appraisal increment.
- 11) One of the subsidiaries has been assessed for an amount of \$11,637 by the Federal Income Tax department on the basis that the company was associated with its parent company in the year 1962. This assessment is presently under appeal but the attorney's opinion is that the company's appeal will be successful.



NATIONAL CONTAINERS LIMITED

AUDITORS' REPORT

*To the Shareholders of:
National Containers Limited,
Montreal 28, Quebec.*

We have examined the consolidated balance sheet of National Containers Limited and its wholly-owned subsidiary companies as at December 31, 1966 and the consolidated statements of income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We have accepted the financial statements of National Steel Drum Limited as certified by Messrs. Perlmutter, Orenstein, Giddens, Newman & Kofman, Chartered Accountants and the financial statements of The Winnipeg Cooperage Company Limited as certified by Peat, Marwick, Mitchell & Co., Chartered Accountants.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings, when read in conjunction with the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the consolidated state of affairs of the companies as at December 31, 1966 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except that as explained in Notes 2A and 6 to these statements, depreciation was charged on a reduced basis only and no amortization of development or franchise expenses was charged in 1966 by one of its subsidiary companies.

MONTREAL, March 1, 1967

S. HOFFMAN & CO.
Chartered Accountants

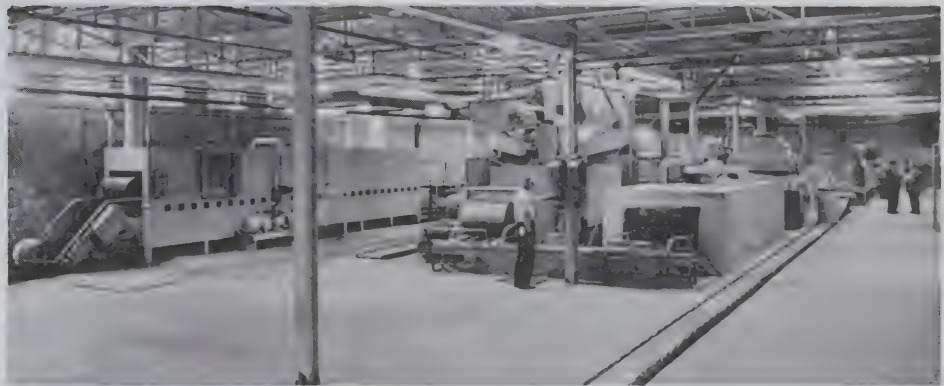
NATIONAL CONTAINERS LIMITED AND SUBSIDIARY COMPANIES

TYPICAL OPERATIONS IN OUR PLANTS

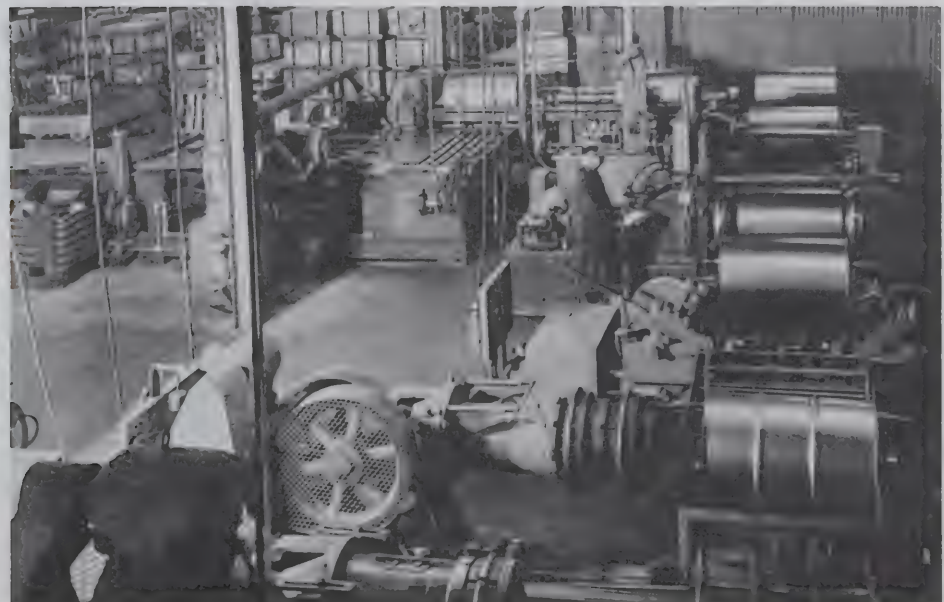
Drum
reconditioning line
of one of the
companies.



Steel pails
in actual
production.



Automatic steel
drum line in
actual production.



NATIONAL CONTAINERS LIMITED

AND SUBSIDIARY COMPANIES

NATIONAL CONTAINERS LIMITED
Rosemount, Quebec
Reconditioning of steel drums



NATIONAL CONTAINERS LIMITED
Seven Islands, Quebec
Reconditioning of steel drums



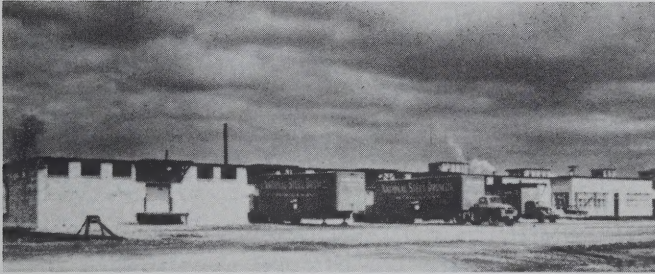
THE WINNIPEG COOPERAGE
COMPANY LIMITED
Winnipeg, Manitoba
Reconditioning of steel drums
and warehousing



DOMINION PLASTIC CONTAINERS LTD.
Ville St. Pierre, Montreal, Quebec
Manufacturing of Cubitainers —
polyethelene inner cube
in an outer carton
Manufacturing of Bulkliners —
rigid formed polyethelene liners
for drums, kegs and pails



PLANTS



NATIONAL STEEL DRUM LTD.

Petrolia, Ontario

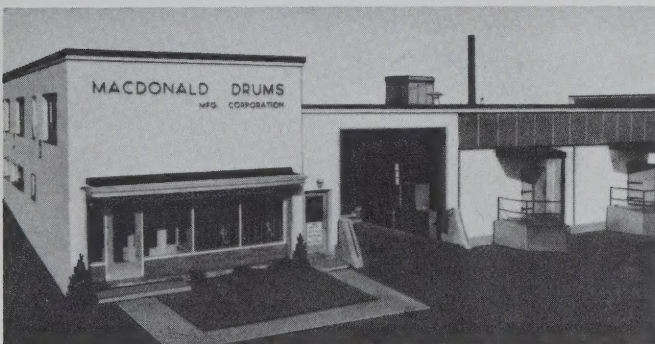
Manufacturing light gauge steel drums,
heavy gauge steel drums, and kegs
Reconditioning steel drums



MacDONALD DRUMS MFG. CORPORATION

Toronto, Ontario

Warehousing of fibre, plastic and
steel products
Manufacturing of light gauge
steel drums



MacDONALD DRUMS MFG. CORPORATION

Montreal, Quebec

Manufacturing of light gauge steel drums,
heavy gauge steel drums, kegs and pails



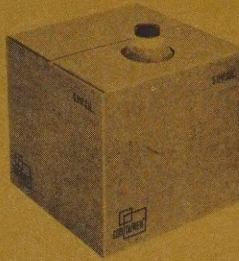
DOMINION FIBRE DRUMS CORP.

Montreal East, Quebec

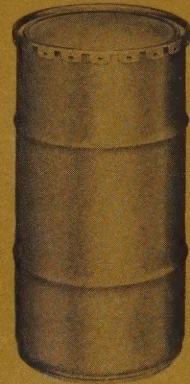
Manufacturing Specialized Fibre
Containers

PRODUCTS

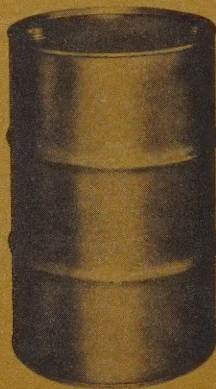
Cubitainers—
Polyethelene inner cube
in an outer carton



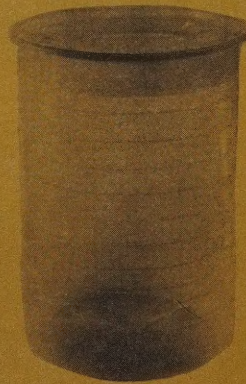
Steel kegs



Heavy gauge steel drums



Bulkliners—Rigid formed
polyethelene liners for
drums, kegs and pails



Light gauge steel drums



Steel pails





